

GLEN CANYON SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2005



KEMP BURDICK

KEMP BURDICK HINTON & HALL LLC

CPA'S & ADVISORS

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FINANCIAL SECTION



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

MEMBERS:

KRIS J. BRAUNBERGER

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MARK E. TICHENOR

**Independent Accountants' Review Report on the
Basic Financial Statements**

Administrative Control Board
Glen Canyon Special Service District
P. O. Box 410037
Big Water, UT 84741

We have reviewed the accompanying financial statements of the business-type activities and each major fund of Glen Canyon Special Service District, a component unit of Kane County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Glen Canyon Special Service District.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis and the budgetary information on pages 2 through 4 and page 18, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.
June 5, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Glen Canyon Special Service District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$507,450 at the close of the fiscal year.
- Total net assets increased by \$9,671.
- Total revenues from all sources were \$183,348.
- The total cost of all District programs was \$173,677.
- Actual resources received were less than the final budget by \$964 while actual expenditures were \$13,463 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the District was \$48,040 or 29% of total expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Normally there are three components of the financial statements: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. (3) Notes to the financial statements. However, since the District only has one fund, Government-wide financial statements are not necessary.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the District as a whole since the District's only utilizes one fund. The District's fund uses the accounting approaches as explained below.

- Governmental funds – The District currently does not maintain any governmental activities, all activities are accounted for as proprietary activities.
- Proprietary funds – When the District charges customers for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$507,450 as of December 31, 2005 as shown below.

Statement of Net Assets (Condensed)

	<u>12/31/2005</u>	<u>12/31/2004</u>
Current Assets	\$ 130,111	\$ 123,871
Fixed Assets	702,512	728,859
Other Noncurrent Assets	-	-
Total Assets	<u>832,623</u>	<u>852,730</u>
Current Liabilities	10,928	20,320
Long-Term Liabilities	<u>314,245</u>	<u>334,631</u>
Total Liabilities	<u>325,173</u>	<u>354,951</u>
Total Net Assets	<u>\$ 507,450</u>	<u>\$ 497,779</u>

Business Type Activities

The cost of providing all proprietary (business type) activities this year was \$173,677. As shown in the statement of revenues, expenses and changes in net assets, \$154,924 of this cost was paid for by those who directly benefited from the programs, and \$25,740 was subsidized by impact fees and by grants received from other governmental organizations for both capital and operating activities. Overall program revenues, including intergovernmental aid and fees for services were \$180,664. Investment earnings totaled \$2,684.

The District's programs include: water, sewer, health and fire protection and recreation. The programs' net cost (total cost less revenues generated by the activities) is presented in the statement of revenues, expenses and changes in net assets as shown below. The Net Assets increased by \$9,671.

**Statement of Revenues, Expense and Changes
in Net Assets (Condensed)**

	<u>12/31/2005</u>	<u>12/31/2004</u>
Total Operating Revenues	\$ 154,924	\$ 140,719
Total Operating Expenses	<u>167,143</u>	<u>158,491</u>
Operating Income/(Loss)	(12,219)	(17,772)
Net Non-Operating Revenues/(Expenses)	21,890	3,301
Changes in Net Assets	<u>\$ 9,671</u>	<u>\$ (14,471)</u>

Total resources available during the year to finance business type activities were \$681,127 consisting of Net assets at January 1, 2005 of \$497,779, operating revenues of \$154,924 and non-operating revenues of \$28,424. Total Business Type expenses during the year were \$173,677; thus, Net Assets were increased by \$9,671 to \$507,450.

General Fund Budgetary Highlights

Actual revenues were less than the final budget by \$964 which consisted mainly of less water and other revenues as was budgeted. Actual expenses were more than the final budget by \$13,463. There were no budget amendments or supplemental appropriations made during the year to prevent budget overruns or to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions including infrastructure assets. Capital Assets include vehicles, equipment, buildings, wells and water system. At the end of fiscal year 2005, net capital assets of the District's activities totaled \$702,512. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 3 to the financial statements.)

Debt

At year-end, the District had \$314,245 in long-term debt. During the current fiscal year, the District's total debt decreased by \$20,386. (See note 5 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2005/2006, the District Board and management were cautious as to the growth of revenues and expenditures. Overall operating expenditures were budgeted so as to contain costs at approximately the same level as fiscal year 2004/2005. There are no large capital projects anticipated for FY 2005/2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Norma Hirschi, Treasurer, P.O. Box 41025, Big Water, Utah 84741-2125.

**GLEN CANYON SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF KANE COUNTY)**

Statement of Net Assets

Proprietary Fund

December 31, 2005

	Enterprise Fund Water and Fire <u>Protection</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 47,469
Accounts receivable, net of allowance	4,057
Inventory	7,442
Total current assets	<u>58,968</u>
Noncurrent assets:	
Restricted cash and cash equivalents	71,143
Capital assets:	
Well & water system	972,568
Buildings	51,274
Vehicles and equipment	144,009
Office equipment	9,143
Less: accumulated depreciation	<u>(474,482)</u>
Total noncurrent assets	<u>773,655</u>
Total assets	<u><u>832,623</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	117
Customer deposits	100
Accrued liabilities	3,661
Hookup fees payable	7,050
Total current liabilities	<u>10,928</u>
Noncurrent liabilities:	
Due within one year	21,632
Due in more than one year	292,613
Total noncurrent liabilities	<u>314,245</u>
Total liabilities	<u><u>325,173</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	388,267
Restricted for impact fees & debt related refinement	71,143
Unrestricted	48,040
Total net assets	<u><u>\$ 507,450</u></u>

See accompanying notes and accountants' report.

GLEN CANYON SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF KANE COUNTY)
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended December 31, 2005

	Enterprise Fund Water & Fire Protection
OPERATING REVENUES	
Water	\$ 153,138
Other revenue	<u>1,786</u>
Total operating revenues	<u>154,924</u>
OPERATING EXPENSES	
Auto expense	4,137
Bank charges	51
Contract labor	1,559
Depreciation expense	51,038
Dues & subscriptions	682
Education & training	125
Equipment rental	1,209
Fire department	20,310
Insurance expense	6,281
Legal & professional fees	7,283
Miscellaneous	1,518
Operating expenses	2,208
Office expense	4,526
Repairs & maintenance	6,539
Salaries & wages	34,310
Taxes & licenses	10,014
Telephone	3,201
Travel & meals expense	149
Utilities	<u>12,003</u>
Total operating expenses	<u>167,143</u>
Operating loss	<u>(12,219)</u>
NONOPERATING REVENUE (EXPENSES)	
Grant revenues	25,740
Impact fees	-
Donated assets	-
Interest income	2,684
Bond interest expense	<u>(6,534)</u>
Total nonoperating revenue (expenses)	<u>21,890</u>
Change in net assets	9,671
Total net assets--beginning	<u>497,779</u>
Total net assets--ending	<u><u>\$ 507,450</u></u>

See accompanying notes and accountants' report.

**GLEN CANYON SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF KANE COUNTY)**

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2005**

	Enterprise Fund Water & Fire Protection
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 158,720
Cash paid to suppliers	(91,187)
Cash paid to employees	(34,310)
Net cash flows from operating activities	<u>33,223</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property and equipment	(24,691)
Payments to retire long-term debt	(20,386)
Impact fees	-
Grant revenues	25,740
Interest on long-term debt	(6,534)
Net cash flows from capital and related financing activities	<u>(25,871)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	<u>2,684</u>
Net cash flows from investing activities	<u>2,684</u>
Net change cash and cash equivalents	10,036
Balances--beginning of the year	<u>108,576</u>
Balances--end of the year	<u>\$ 118,612</u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income (loss)	\$ (12,219)
Adjustments to reconcile net operating loss to net cash flows from operating activities:	
Depreciation	51,038
(Increase) decrease in:	
Accounts receivable	3,796
Inventory	-
Increase (decrease) in:	
Accounts payable	-
Other current liabilities	(9,392)
Net cash flows from operating activities	<u>\$ 33,223</u>

Supplemental schedule of non-cash financing & investing activities:

During the year ending December 31, 2005, the District incurred and paid interest of \$6,534.

See accompanying notes and accountants' report.

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies

Nature of Organization

Glen Canyon Special Service District, (the Service District) is a component unit of Kane County, Utah. The Service District was established by resolution of the Board of County Commissioners of Kane County on July 26, 1979. The District was created to provide water, sewer, health and fire protection and recreation. The District is currently only providing water utility services and fire protection to residents in the geographical area of Big Water, Utah. Six members of the Control Board of the Service District are appointed by the Kane County Commissioners, and each community appoints a board member. There are no other agencies or component units that should be associated with these financial statements.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's only fund is an enterprise fund.

Basis of Accounting

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for services. However, the District has also classified its tax assessment revenues as operating because of the nature of the assessment which has been assessed to cover water fees not charged through the normal billing cycle. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Budget Policy and Process

The Service District adopts an annual budget. The budget is prepared on the accrual basis. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. During the current fiscal year there were various amendments to the budget. Procedures for amending the budget were done in accordance with state law. Budget appropriations lapse at year-end.

Encumbrances

Encumbrance accounting is not used.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories

Inventories consist principally of materials used in the repair of the water system and are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Compensated Absences

The District does have a policy for accrued vacation and/or sick leave; however, there are no accruals for compensated absences recorded on the financial statements as the amounts are deemed immaterial.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors.

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 2. Cash, Cash Equivalents and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, \$0 of the District's bank balance of \$7,504 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 2. Cash, Cash Equivalents and Investments, Continued

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended.

The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 116,910	\$ 116,910	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 116,910</u>	<u>\$ 116,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 2. Cash, Cash Equivalents and Investments, Continued

State's Money Management Act.

At December 31, 2005 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 116,910	\$ -	\$ -	\$ -	\$ 116,910
Total Fair Value	<u>\$ 116,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,910</u>

A reconciliation of cash and investments as shown on the combined balance sheet follows:

	<u>Carrying Amount</u>
Petty Cash	\$ 250
Undeposited Funds	187
Checking (Zion's Bank)	1,265
Savings (Public Treasurer's Fund)	44,496
Bond Fund (Public Treasurer's Fund)	28,255
Escrow Holding (Public Treasurer's Fund)	1,272
Impact Fees (Public Treasurer's Fund)	<u>42,887</u>
Total Cash	<u>\$ 118,612</u>
Cash - unrestricted	\$ 47,469
Cash - restricted	<u>71,143</u>
Total Cash	<u>\$ 118,612</u>

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	<u>Useful Life</u>
Well & Water Systems	10-40 years
Equipment	5 years
Office Equipment	5 years
Buildings	15-30 years

The following table summarizes the changes to the capital assets during the year.

	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2005</u>
Capital assets not being depreciated:				
Land and land easements	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets being depreciated:				
Well & Water System	972,568	-	-	972,568
Buildings	50,117	1,157	-	51,274
Fire Department Equipment	116,467	21,940	-	138,407
Office Equipment	7,549	1,594	-	9,143
Vehicles	5,602	-	-	5,602
Total capital assets, being depreciated	1,152,303	24,691	-	1,176,994
Less accumulated depreciation for:				
Well & Water System	(346,780)	(26,731)	-	(373,511)
Buildings	(28,382)	(2,068)	-	(30,450)
Fire Department Equipment	(40,857)	(20,324)	-	(61,181)
Office Equipment	(5,651)	(795)	-	(6,446)
Vehicles	(1,774)	(1,120)	-	(2,894)
Total accumulated depreciation	(423,444)	(51,038)	-	(474,482)
Total capital assets, being depreciated, net	728,859	(26,347)	-	702,512
Total capital assets, net	\$ 728,859	\$ (26,347)	\$ -	\$ 702,512

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 4. Accounts Receivable

The District uses the allowance method for uncollectible accounts. As of December 31, 2005, accounts receivable and allowance for doubtful accounts were as follows:

Accounts Receivable	\$ 16,021
Allowance for Doubtful Accounts	<u>(11,964)</u>
Accounts Receivable Net	<u>\$ 4,057</u>

Note 5. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

Business Type-Activities:

	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005	Current Portion
General Obligation:					
1981 G.O. Bond	\$ 28,021	\$ -	\$ 1,386	\$ 26,635	\$ 1,654
Revenue Obligation:					
1981 Water Revenue Bond	110,610	-	5,000	105,610	5,978
1993 Water Revenue Bond	196,000	-	14,000	182,000	14,000
Total Long-term Debt	<u>\$ 334,631</u>	<u>\$ -</u>	<u>\$ 20,386</u>	<u>\$ 314,245</u>	<u>\$ 21,632</u>

Bonds payable at December 31, 2005 are comprised of the following:

General Obligation Bond:

General Obligation Bond dated November 5, 1981; 5.0% interest per annum; payable \$246 monthly including interest, due November 5, 2021. \$ 26,635

Revenue Bonds:

Water Revenue Bond dated November 5, 1981; 5.0% interest per annum; payable \$928 monthly including interest, due November 5, 2021. 105,610

Subordinated Water Revenue Bond, Series 1993; non-interest bearing \$14,000 payable annually starting 1993 and final payment due 2018. 182,000

Total Bonds	314,245
Less Current Portion	<u>(21,632)</u>
Total Long-term Bond Obligations	<u>\$ 292,613</u>

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 5. Long-Term Debt, Continued

Debt service requirements for bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2006	21,632	6,456	28,088
2007	22,023	6,065	28,088
2008	22,434	5,654	28,088
2009	22,865	5,223	28,088
2010	23,318	4,770	28,088
2011-2015	124,250	16,189	140,439
2016-2020	77,723	2,647	80,370
Totals	<u>\$ 314,245</u>	<u>\$ 47,004</u>	<u>\$ 361,249</u>

Note 6. Hookup Fees Payable

Before the capital facilities plan was completed and adopted by the Service District, the amount charged for a hookup fee exceeded the actual cost of the hookup. The amount in hookup fees payable represents the estimated amount of the overcharges.

Note 7. Reserved Retained Earnings

Reserves are used to indicate that a portion of the equity is not available for appropriation or expenditure, or is legally segregated for a specific future use. At December 31, 2005, the District's reserved retained earnings is as follows:

	Balance at <u>Dec 31, 2005</u>
Reserved for retirement of long-term debt	\$ 28,255
Impact fees	<u>42,887</u>
Total	<u>\$ 71,142</u>

GLEN CANYON SPECIAL SERVICE DISTRICT
(A Component Unit of Kane County)
Notes to Financial Statements
December 31, 2005

Note 8. Contingencies

Over the years, the District has collected advance installation deposits for meters from customers when connections were made and have been including these deposits as operating income as they were collected. Should these customers come forward and have their meters installed now, management estimates that it would cost the District \$10,300 to \$12,400.

Note 9. Schedule of Impact Fees

Impact fee balance at January 1, 2005	\$ 45,190
Add: Impact Fee Revenue	0
Less: Impact Fee Expenditures	<u>(2,303)</u>
Impact fee balance at December 31, 2005	<u>\$ 42,887</u>

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust. Worker's compensation coverage is carried through the State Worker's Compensation Fund.

Note 11. Big Water Town

The District supplies water to Big Water Town for the town hall, parks and other uses. Total billings for water utilized by the Town during the current year of \$1,011 have been netted against water revenues in order to reflect the donation to the Town.

SUPPLEMENTARY INFORMATION

GLEN CANYON SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF KANE COUNTY)
Statement of Revenues, Expenses and Changes in Net Assets – Budget and Actual
Proprietary Fund
For the Year Ended December 31, 2005

	Enterprise Fund--Water & Fire Protection			
	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary) (Basis)	Positive (Negative)
OPERATING REVENUES				
Water	\$147,483	\$147,483	\$ 153,138	\$ 5,655
Other revenue	8,405	8,405	1,786	(6,619)
Total operating revenues	155,888	155,888	154,924	(964)
OPERATING EXPENSES				
Auto expense	-	-	4,137	(4,137)
Bank charges	-	-	51	(51)
Contract labor	-	-	1,559	(1,559)
Depreciation expense	32,724	32,724	51,038	(18,314)
Dues & subscriptions	-	-	682	(682)
Education & training	-	-	125	(125)
Equipment rental	-	-	1,209	(1,209)
Fire department	-	-	20,310	(20,310)
Insurance expense	-	-	6,281	(6,281)
Legal & professional fees	-	-	7,283	(7,283)
Miscellaneous	-	-	1,518	(1,518)
Operating expenses	72,507	72,507	2,208	70,299
Office expense	-	-	4,526	(4,526)
Repairs & maintenance	-	-	6,539	(6,539)
Salaries & wages	48,449	48,449	34,310	14,139
Taxes & licenses	-	-	10,014	(10,014)
Telephone	-	-	3,201	(3,201)
Travel & meals expense	-	-	149	(149)
Utilities	-	-	12,003	(12,003)
Total operating expenses	153,680	153,680	167,143	(13,463)
Operating income	2,208	2,208	(12,219)	(14,427)
NONOPERATING REVENUE (EXPENSES)				
Grant revenues	25,000	25,000	25,740	740
Impact fees	-	-	-	-
Donated assets	-	-	-	-
Interest income	880	880	2,684	1,804
Bond interest expense	(28,088)	(28,088)	(6,534)	21,554
Total nonoperating revenue (expenses)	(2,208)	(2,208)	21,890	24,098
Change in net assets	-	-	9,671	9,671
Total net assets--beginning	497,779	497,779	497,779	
Total net assets--ending	\$497,779	\$497,779	\$ 507,450	

See accountant's report